Executive Briefing Book

President Reagan's Program for Economic Recovery

APRIL 1981

THE WHITE HOUSE

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PREFACE

The material in this pamphlet is provided as a summary of the economic program presented by President Reagan earlier this year. The details of the economic package are contained in speeches made by the President on February 5 (a national television address) and February 18 (an address to a Joint Session of Congress) as well as in various messages and submissions sent to Capitol Hill.

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10 KEY POINTS ON THE REAGAN PROGRAM

1. The U.S. economy now in a terrible mess.
   - -- Worst inflation since WW I.
   - -- Unemployment at one of highest peaks since WW II.
   - -- 90% of potential 1st-time homebuyers can't afford to buy.

2. Without the Reagan plan, things could easily get worse.
   - -- Continued stagflation.
   - -- Could throw key industries already in trouble -- autos, housing, steel, thrifts, etc. -- into serious tailspin.

3. Runaway government a chief cause.
   - -- 19 deficits in last 20 years in Washington.
   - -- Federal personal taxes have nearly quadrupled in 15 years.
   - -- Regulations now cost over $100 billion a year.

4. Reagan plan would attack problem at source, concentrating on:
   - -- Spending cuts;
   - -- Tax rate cuts;
   - -- Regulatory relief;
   - -- Monetary restraint.

5. Budget cuts to cut spending growth by 2/3
   - -- Savings of $48.6 billion in 1982.
   - -- Put budget in balance by 1984.

6. Cuts tailored to preserve benefits for poor while restoring defenses.
   - -- Social safety net kept in place.
     - -- Example: The Federal government will continue to provide 70-75 million meals per day to the poor, the elderly and needy school children.
   - -- Defense spending would rise an average 7% a year (real dollars) over next 5 years, restoring America's margin of safety.

7. Cuts in tax rates to reinvogorate economy.
   - -- Cuts in marginal tax rates of 10% a year for 3 years are key to future savings, investment, and economic growth.
   - -- Reagan plan also calls for accelerated and simplified depreciation allowances to encourage business investment -- a second key to growth.
   - -- Overall, plan to cut taxes $293 billion from 1982-1984.

8. Regulatory relief already underway
   - -- Vice President chairing task force that has put forward auto relief package to save $10 billion for consumers and industry.
   - -- Also seeking to end red tape for state and local government.

9. Monetary restraint to come through Federal Reserve -- working side by side with the President and Congress.

10. Overall benefits of Reagan package:
    - -- Cut inflation in half by 1984.
    - -- Create 3 million more new jobs than current policies would.
    - -- Higher levels of growth.
    - -- Restore America's competitive place in the world.

TODAY'S ECONOMIC MESS

"I regret to say that we're in the worst economic mess since the Great Depression."

President Reagan
National Television Address
February 5, 1981

Signs of the Times

Twenty years ago, America enjoyed the premier economy of the world. Now, the signs of decay are everywhere:

* Inflation:

  -- In 1979 and 1980, America suffered back-to-back double digit inflation for the first time since WW I.

  -- The value of a 1960 dollar has now shrunk to 36¢.

  -- A pound of hamburger that cost 48¢ in 1960 now costs $1.58.

* Interest Rates:

  -- Mortgage interest rates averaged nearly 13% in 1980 -- the highest level in U.S. history and double the levels of the early 1960s.

  -- At 13% mortgage rates, some 90% of those who rent cannot afford to buy a home.

* Unemployment:

  -- There were more Americans out of work last year -- 7.4 million -- than in any year, save one, since WW II.

  -- Unemployment for blacks by the end of 1980 was at the highest level since WW II.

  -- If all the jobless people stood in a line 3 feet apart, the line would stretch from Maine to California.

* Economic Stagnation

  -- In 1960, America produced nearly half of all cars in the world. Today it produces barely more than a fifth.

-- After World War II, the U.S. produced roughly half of the world's steel. Today it produces roughly a sixth.

-- During much of the postwar period, U.S. productivity rose about 3% a year; for the last two years, it has actually declined.

-- The U.S. savings rate is now at the lowest level we have experienced over any three year period in the last 30 years.

-- Indeed, the U.S. now stands at the bottom among all the major industrial democracies in its levels of savings and investment. Our savings rate is not even half that of our major trading partners.

Impact on People

* Average weekly earnings -- after inflation and taxes -- have dropped by over 14% since 1972.

* No one is hurt worse by stagflation than the poor and minorities:

  -- From 1959-1969, the number of families living in poverty dropped nearly 50%; from 1969-79, when the economy was growing more slowly, the number of poor families dropped only 6%.

  -- For blacks, the 1959-69 period saw a gain of 5% a year in real dollars -- from a median family income of $7,259 to $11,878. In the following decade ('69-'79), black median income actually fell from $11,878 to $11,648 (all measured in 1979 dollars).

What If?...

* What if U.S. productivity had not begun to slacken after 1965?

  -- The U.S. GNP today would be $850 billion bigger -- enough to balance the budget, cut personal and social security taxes in half, and still provide every American with an extra $2,500 in spending money.

This is the kind of economic growth that President Reagan wants to restore.

GOVERNMENT: A PRIME CULPRIT

Runaway Spending

-- The federal budget has been in balance only once (1969) in the past 20 years.

-- The amount of federal spending per average household has increased 46% over the last four years alone -- from $5,026 in 1976 to $7,329 in 1980.

-- The federal debt has more than doubled over the past decade, growing from some $400 billion in 1971 to nearly $1 trillion today. A trillion one dollar bills would make a stack 63 miles high.

-- Since 1970, the burden of this debt has more than doubled to $12,180 per family.

Runaway Taxation

-- Federal personal taxes on each family have nearly quadrupled over the past 15 years -- growing from $1,500 for an average family in 1965 to $5,500 in 1980.

-- The Federal tax share of the GNP has risen steadily from 17.7% in 1965 to 20.3% today -- and unless current trends are arrested, threatens to exceed 23% by 1985.

Runaway Regulation

-- Scholars estimate that Federal regulations now cost Americans over $100 billion a year.

-- There are 100,000 pages of Federal regulations now on the books, and they have become an administrative nightmare. Americans spend an estimated 800 million hours filling out forms and providing information to Washington.

-- Regulations are estimated to add $666 to the cost of every new American car.

Runaway Money

-- To cover its burgeoning deficits, Washington has fallen into the habit of printing more and more money -- causing more and more inflation. From 1960-65, the U.S. money supply grew an average of 3.1% a year and inflation averaged only 1.6%. From 1975-80, however, the money supply grew at more than twice that rate -- an average of 7.1% a year, and inflation skyrocketed to a 7.2% average rate.

THE REAGAN REVOLUTION:

SETTING A NEW COURSE FOR THE COUNTRY

"It's time to recognize that we've come to a turning point. We're threatened with an economic calamity of tremendous proportions and the old business-as-usual treatment can't save us. Together, we must chart a different course."

President Reagan
Address to the Nation
February 5, 1981

The President's Program in a Nutshell

Within 30 days of taking office, President Reagan proposed a sweeping, four-part program for economic recovery for the U.S. The program is squarely based upon the campaign promises of the President and thus reflects the overwhelming mandate on which he was elected. The 4 key elements are:

-- Spending cuts

-- Tax rate cuts

-- Regulatory relief

-- And a stable monetary policy

Benefits in a Nutshell

If enacted this year, here is what the program should do:

-- Cut inflation in half -- from 11.1% in 1981 to 8.3% in 1982, down steadily to 5.5% in 1984.

-- Create 3 million new jobs by 1986 (coming on top of 10 million other jobs that can be expected).

-- Increase family take-home pay -- for a family of 4 earning $25,000 the Reagan plan will mean an additional $2,500 in annual income after taxes and inflation by 1984.

-- Reduce the tax burden -- instead of rising to 23% of GNP by 1984, Federal taxes would fall to 19% of GNP.

-- Increase savings and investment.

-- Restore America's competitive position in the world.

Example: The auto industry -- The Reagan package of tax cuts, spending cuts, and regulatory relief should mean a consumer savings of $150 a car -- and the return of thousands of autoworkers to their jobs.

IMPACT OF THE PRESIDENT'S PLAN ON THE AVERAGE FAMILY

What difference will the President's program make for a family of four now earning $25,000? A lot -- and right in the pocketbook. Here's how:

The Family Today

-- Buying Power: After federal income and social security taxes, a family of four earning $25,000 has only $20,566 left today.

-- Paying for basic needs: Because of double digit inflation, that family must then pay about 74% -- some $15,000 -- to cover basic needs such as food, shelter, clothing, medical care and transportation.

  -- No wonder the savings rate has dipped to the lowest lever in 30 years.

-- Can't afford a new home: If this family wants to buy a home, it will be shut out of the housing market -- like 68 million other Americans.

  -- The median cost of a new home is $64,000 and mortgages are running at about 14.5%.

  -- The annual income necessary to buy a median priced house is nearly $38,000 (using a standard rule of thumb that one dollar out of four is allotted to housing). The family earning $25,000 a year just cannot afford a new home.

The Same Family Tomorrow -- Without the Reagan Plan

Here's what will happen to this same family if the economic conditions of the past two years continue until 1984:

-- Buying power will drop: By 1984, inflation will have pushed the $25,000 family to an annual income of almost $40,000. BUT federal taxes, social security and inflation will mean that the family's real buying power will be less than today:

  -- Today, as shown above, the family has $20,566 in buying power.

  -- In 1984, their buying power (measured in 1980 dollars) will have dropped to $19,376 -- a loss of almost $1,200!

-- Less money for savings: Inflation will also force up the costs of basic needs so that this same family in 1984 will increase the portion of its money spent on necessities -- food, shelter, etc. -- from 74% to 78%.

Impossible to Buy a House

- Without the Reagan plan, inflation will push up the cost of housing another 60% by 1984.
- Even if mortgage rates hold steady -- and they won't -- a family of four would then need an annual income of $60,000 to afford a new home.
- Thus, for our typical family, housing will be even more of a mirage.

The Same Family Tomorrow -- IF THE REAGAN PLAN IS ENACTED

- Buying power will be up:
  - By 1984, this family's total income will rise to $38,000.
  - More importantly, when federal taxes, social security and inflation are taken into account, their buying power of $23,098 will be $2,500 higher than today! The difference under the Reagan plan is that inflation and taxes will take less of a bite.
- More money for savings:
  - As real income increases, the percentage of that income needed for basics will drop -- to 65%.
- A Home of Their Own:
  - With general inflation coming down, housing inflation will come down, too -- as will mortgage rates (they are projected to be about 9.5% in 1984 under the Reagan plan).
  - As a result, the total annual income necessary to buy a median priced new home will be only $34,580 -- well within the range of this same family.

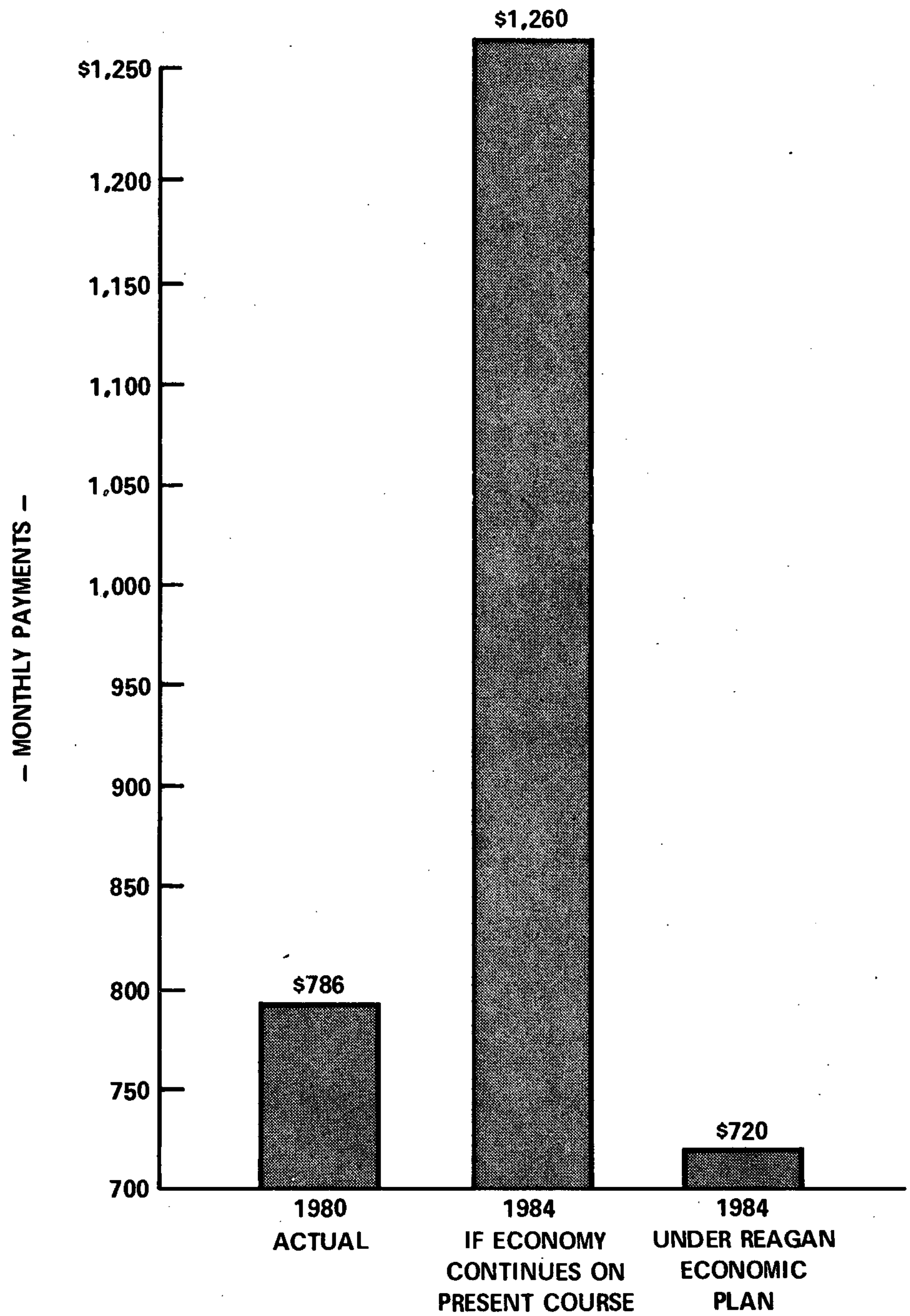
Bottom line for family under Reagan plan: More income, more savings, more security for the future.

BUYING POWER FOR AVERAGE FAMILY EARNING $25,000 A YEAR

	Buying Power	Difference
Today	20,566	
1984 -- Without Reagan Plan	19,376	-$1,190
1984 -- With Reagan Plan	23,098	+$2,532

Buying Power -- What's left in the family income after paying for federal taxes, social security, and inflation.

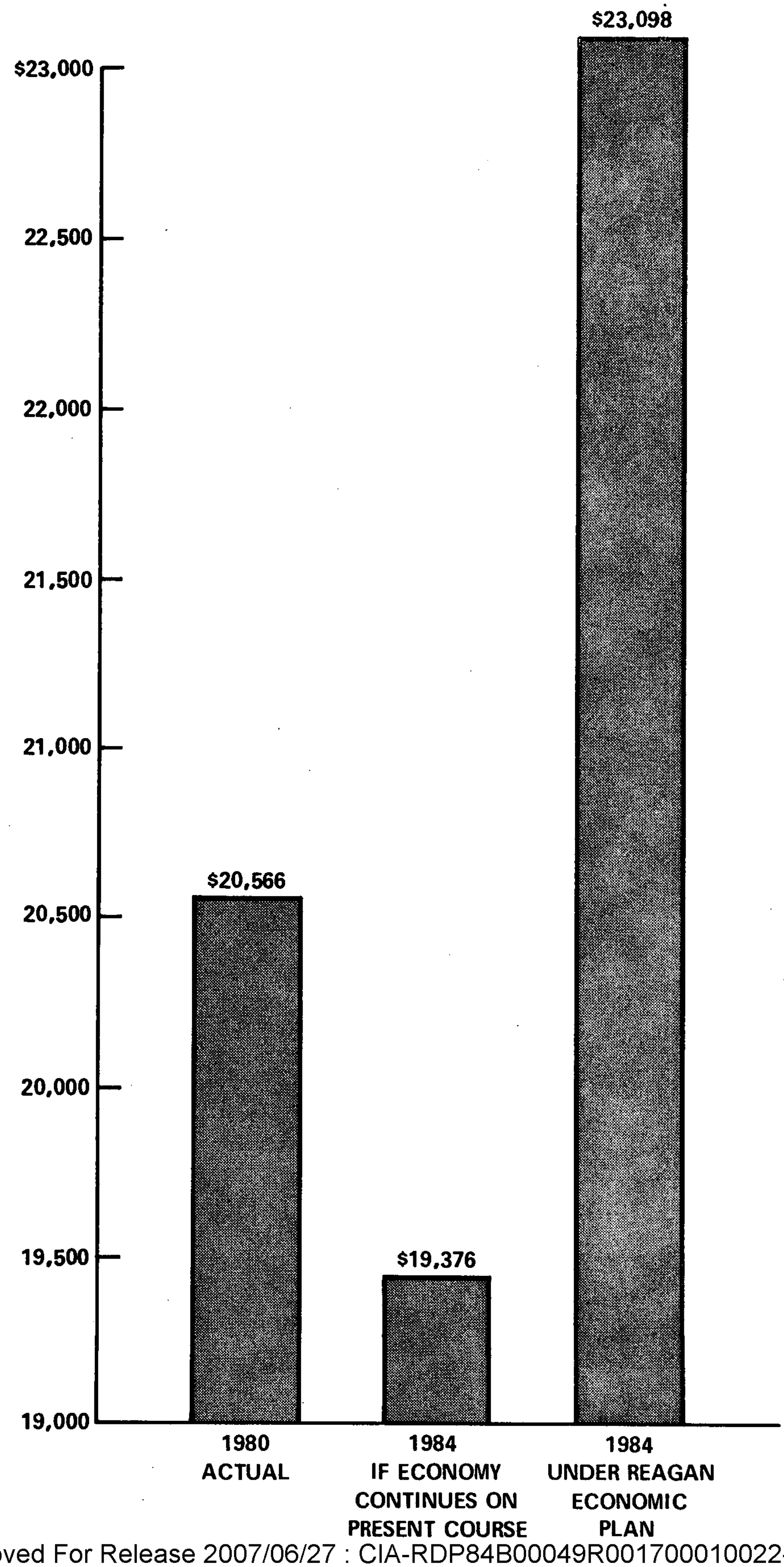
EXHIBIT I
MONTHLY MORTAGE PAYMENTS
FOR AN AVERAGE NEW HOME
(CURRENT DOLLARS)



ASSUMPTION:

- **BASED ON 1980 MEDIAN SALES PRICE OF $64,000 FOR NEW HOUSE.**
- **1984: PASSAGE OF REAGAN ECONOMIC PLAN IN 1981.**

EXHIBIT II
COMPARISON OF REAL AFTER-TAX INCOME FOR A FAMILY EARNING $25,000 A YEAR (1980 DOLLARS)



THE PRESIDENT'S BUDGET CUTS

Key Points

* Over the past 3 years, federal spending has been growing at more than 15% a year. The Reagan program will cut spending growth by two thirds -- to 5.6% a year -- over the next 3 years.

* The Reagan program means budget savings of $48.6 billion next year (fiscal year 1982, which begins this October 1, 1981).

* The Reagan program includes further cuts in future years so that the budget will be balanced by 1984 -- and will remain balanced thereafter.

* The cuts are across the board, involving more than 300 agencies and programs.

* In recent years, Washington has discovered a hidden way to spend money -- off-budget financing. Off-budget outlays have mushroomed to $23.6 billion in FY 81. The Reagan plan will steadily reduce off-budget financing to $6.5 billion by FY 86.

* The Reagan plan will also reduce direct loans and loan guarantees from Washington. In the current fiscal year (1981), loan commitments will total over $153 billion. Under the Reagan plan, loan commitments next year will be $21 billion lower than those planned by the Carter Administration.

Preserving the Social Safety Net

* Over the past 4 decades, America has erected many income security nets that protect the elderly, unemployed and the poor.

* President Reagan believes that essential services must be continued for those who cannot care for their own needs. Thus, his budget plan maintains spending for many "social safety net" programs such as:

-- Social Security benefits for the elderly.

-- Basic unemployment benefits.

-- Cash benefits for the elderly, disabled and for dependent families.

-- Social obligations to veterans.

Rebuilding the National Defense

* In addition to preserving the social safety net, the President believes a second essential goal in his budget is to restore the nation's "margin of safety" on the military front.

* Since the mid-60s, the Soviet Union has engaged in the most massive military build-up in human history, while U.S. defense spending has shrunk (in real dollars). The results:

-- The Soviets have spent two-and-a-half times as much as the U.S. on strategic nuclear forces since the mid-60s.

-- Typically, half the combat aircraft in the U.S. Navy and Air Force are unable to fly because of spare parts shortages.

-- Since the mid-60s, the Soviets have increased their number of deployed ICBMs from 29 to 950. The U.S. hasn't deployed a new strategic delivery system since 1967.

* The Reagan plan calls for a steady, long-term buildup of American forces over the next 5 years -- amounting to a growth rate of 7% a year (in real terms).

* At the same time, the President believes that defense spending can become more efficient. Thus, he has directed the Pentagon to come up with $2 billion in savings next year through a concentrated attack on waste and fraud, as well as reductions in travel, unnecessary procurement, and other military realignments.

Major Shift in Budget Priorities: Percent of Overall Budget

	1962	1981	1984
Defense	47.8%	24.7%	33.2%
Safety Net Program	25.0	36.8	40.1
Net Interest	6.0	9.8	8.8
All other	21.2	28.7	17.9

Other Features of the Reagan Budget Plan

1. Reduction in the Federal Workforce

-- Through attrition, retirement and program cuts, the President is directing that non-defense Federal personnel be reduced by:

- 32,900 positions in 1981
- 63,100 positions in 1982
- 142,000 positions by 1985 (cumulative)

-- The President is also proposing that Federal pay be brought into line with private pay and that twice-a-year cost of living adjustments for federal retirees be changed to once a year.

2. Returning Power to States and Local Government

-- The President is proposing to combine all or parts of 89 categorical grant programs into 6 major block grants in the areas of health, education and social services.

-- This step will not only eliminate many bureaucratic middlemen but will snip away much of the red tape that now entangles state and local governments.

Example: In the health, education and social services area, the President's program would consolidate 40 programs -- greatly reducing the need for:

- 613 pages of law
- 1,409 pages of regulations
- 4,169 Federal employees
- Over 7.5 million manhours of work by state and local officials in filling out Federal forms.

3. Comprehensive Revision of Entitlements

-- A critical problem in the Federal budget has been a huge increase in the size of "entitlement programs." Originally designed to provide subsidies to the needy, these programs have greatly loosened their eligibility standards in recent years so that millions of Americans now take advantage of them -- and their costs have quadrupled over the past decade to $316 billion a year.

-- The President is proposing the first comprehensive revision of entitlements in more than a decade. His goal: keep up payments for those who truly need them, but let others pay their own way.

Example: Food stamps -- some 22 million participants now receive them at a taxpayer cost of $11 billion a year. Under the President's changes, 21.6 million would still be collecting food stamps. Only 350,000 households would be dropped. As an example, a family of four earning up to $11,000 per year (30% more than the national poverty line) would still receive food stamps, while those earning more than $11,000 would be ineligible.

Social Security Disability: The government's General Accounting Office estimates that as many as 584,000 people who receive such disability payments are no longer disabled, if they ever were. The President wants to end their payments.

Medicaid: Medicaid has been so poorly managed that combined Federal and state spending has risen over 450% since 1970 and now exceeds $1,300 a year for every eligible beneficiary. The President wants to tighten up standards and set more realistic limits on this program.

4. Re-examining Federal Subsidies

-- Export-Import Bank: In 1980, two-thirds of the subsidies provided by the Export-Import Bank went to support sales of only seven companies. 27% of these funds subsidized the sales of just one company (Boeing). The President wants to reduce these subsidies.

-- School Lunches: Washington is now engaged in a massive effort to underwrite the costs of all school lunches. The President wants families with annual incomes over $15,630 to pay $1.70 more per week for those lunches provided for their children. President Reagan does not believe that taxpayers -- including the poor -- should be forced to subsidize the meals of students from families who earn enough to pay for their own.

-- Amtrak: Washington now pays out an average of $37 per ride for every passenger who boards an Amtrak train. For the Washington to Cincinnati run, the Federal government shells out $137 per ticket; it would be cheaper to buy airline tickets. The President believes it would be better for Amtrak to increase its efficiency and for riders to pay more of their own share.

TWO KEY QUESTIONS ON THE BUDGET CUTS

1. Will the poor and needy suffer?

No, they will be among the prime beneficiaries:

(1). Under this program, the social safety net is preserved and benefits for the truly needy are maintained.

Example: Social insurance benefits for the elderly, including Social Security and Medicare, will be preserved. 23.5 million retired social security recipients will continue to receive a benefit increase each year to match the rise in prices. Benefits under these programs will exceed $209 billion in FY 1982.

Example: Basic unemployment benefits will continue to protect laid-off workers at present levels. This part of the safety net would be funded at over $20 billion in fiscal year 1981.

Example: Benefits for the 4 million needy, aged, blind and disabled under the supplemental security income program are indexed to the rise in prices, so these individuals would not be faced with the loss of purchasing power.

(2). Must also recognize that the poor and needy have been among the hardest hit by economic policies of earlier years.

Example: From 1970-1980, average welfare beneficiaries fell behind. Under the AFDC program, benefits increased from $190 to $271 a month for the average family -- but inflation meant those families had 1/3 less buying power in 1980 than in 1970.

Example: In the prosperity of the 1960s, poverty was cut in half. In the stagflation of the 1970s, the number living in poverty was cut only 6%.

The Reagan program will restore the growth of earlier years -- and finally give the disadvantaged a foothold on the economic ladder.

2. Will the program favor one region over another -- for example, the Sunbelt over the Frostbelt?

No -- The program is fair to all regions, and all regions benefit.

(1) Budget cuts evenly distributed

-- Cannot precisely determine impact of cuts by region. But the Office of Management and Budget in Washington has prepared an analysis of the Reagan cuts. Based upon past spending patterns in affected programs, they should be virtually equal on a per capita basis:

Region	% of Total Reduction	Per Capita Reduction ($)
Northeast	21.1%	$170
Midwest	23.8	158
South	33.4	170
West	19.3	168
Other	2.3	

(2) Income tax cuts equitably distributed

-- The Northeast and Midwest will actually receive slightly more in personal income tax relief than the South and West (52% versus 48%) because incomes are generally higher in the Frostbelt. By region, the distribution of tax reductions, 1981-86, should be:

Region	% of Total Reduction
Northeast	23.3%
Midwest	27.9
South	28.9
West	19.5
Other	0.5

(3) Standard of living will improve in all regions

-- The Reagan program will mean substantial improvements in the standard of living for all regions -- and the improvement should be evenly distributed. Comparing the projected improvements from the President's program with those that would take place if current law is left in place, OMB has found the following:

Cumulative Improvement in the Standard of Living
Under the Reagan Program, FY 1980-84
(All figures in constant dollars)

Region	Personal Income ($ billions)	Per Capita Personal Income
New England	2.11	$2,060
Middle Atlantic	2.00	2,020
South Atlantic	2.17	2,040
East-North Central	2.09	2,060
East-South Central	2.17	2,070
West-North Central	2.10	2,050
West-South Central	2.24	2,060
Mountain	2.25	1,990
Pacific	2.18	2,000

THE PRESIDENT'S PROGRAM TO CUT TAXES

Two Key Elements

1. Cut in individual tax rates of 10% a year for 3 years.

   -- Across the board, treating all taxpayers fairly.

   -- Effective July 1, 1981

   -- Cuts heavily concentrated in middle class. Taxpayers who have net earnings of $10,000 - 60,000 a year now pay 72% of all personal taxes; they would receive 73% of the benefits under the President's plan.

2. Cut in business taxes by allowing a more rapid write-off of investments in new plant and equipment.

   -- Popularly known as a modified 10-5-3 plan because it allows a 10-year write off for new plants and buildings, a 5-year write off for new machinery and equipment, and a 3-year write off for cars and light trucks.

   -- Effective January 1, 1981, and phased in over 5 years.

Benefits in a Nutshell

-- Reduce the expected tax burden.

   -- Without the Reagan program, federal tax receipts are expected to increase some $308 billion (cumulative) over the next 3 fiscal years, FY 1982-84.

   -- With the Reagan program, federal tax receipts will increase only $171.9 billion.

   -- In short, the Reagan program will save taxpayers some $136 billion over the next three years.

-- Stimulate new savings and investment that are essential.

   -- It is estimated that taxpayers will save one-quarter to one-third of their tax reductions. This would reverse the downward trend that has left the U.S. with personal savings rates less than half that of any other industrial democracy.

-- Provide greater incentives for work, as taxpayers can keep more of their own money.

-- Begin restoring America's competitive position in the world.

-- Bottom line: With Reagan program, America will create 13 million new jobs over the next 5 years.

THREE KEY QUESTIONS ON THE TAX PROGRAM:

1. Will it work?

* Experience of past has demonstrated again and again that tax cuts stimulate economic growth -- often far more than the critics will admit. Examples:

-- Coolidge/Mellon cuts in the 1920s;

-- The Kennedy cuts in 1964 and 1965; and

-- The Steiger/Hansen amendment for capital gains reductions in 1978.

* Kennedy tax cuts are excellent example. His reductions in personal and corporate taxes were effective in two stages in 1964 and 1965. They lowered maximum rate on personal income tax from 91 to 70% and lowered minimum from 20 to 14%. Corporate surtax rate dropped from 52 to 48%.

-- JFK's opponents said that the tax cuts would increase deficits -- and therefore, they would be inflationary and wouldn't produce employment -- same arguments as today. Many argued that the first priority had to be a balanced budget; Kennedy said, no, had to balance the budget in context of growing economy --

"Our true choice is not between tax reduction on the one hand and the avoidance of large federal deficits on the other...An economy (stifled) by restrictive tax rates will never produce enough revenue to balance the budget -- just as it will never produce enough jobs or enough profits."

President Kennedy

The results bore out Kennedy -- and confounded his critics:

-- U.S. during the 1960s had the longest economic expansion in its history (1961-69).

-- Unemployment after the Kennedy tax cuts declined and stayed below 5% for the rest of decade.

-- Contrary to critics, federal revenues actually increased and deficits shrank.

-- Another key point: The personal savings rate -- the fraction of after-tax personal income which is saved -- rose by almost a third between 1963 and 1965, showing once again that tax cuts generate more savings and more jobs.

2. Are tax cuts inflationary?

* Why is it inflationary for people to get to keep more of their money and not inflationary for Washington to take and spend their money?

* Tax cuts needed merely to offset tax increases from bracket creep. Example:

-- A family of 4 that earned $20,000 in 1972 now must earn $39,400 a year to keep up with inflation. But in the process of earning catch-up pay increases, it finds that it is no longer in the 24% tax bracket -- but the 43% tax bracket. And by 1986, if this inflation continues, it will be in the 50% tax bracket. This is the result of bracket creep -- a problem the President's program is designed to attack.

* Clearly, higher taxes are not the answer to inflation: we have had higher and higher taxes for the past four years -- and along with it has come the worst siege of inflation in half a century. It's time to try something different.

3. Does the program favor the rich?

* Key: It's an equal percentage cut for all income levels.

* Three-fourths of the cuts go to middle income taxpayers. Under present law, those earning between $10,000 and $60,000 now pay 72% of all income taxes. They will receive 73% of the benefits of these reductions.

REDUCING THE REGULATORY BURDEN

"We have to offer America and the world a larger vision. We must remove government's smothering hand from where it does harm; we must seek to revitalize the proper functions of government."

President Reagan
March 20, 1981

Actions Already Undertaken by the President

-- Creation of task force on regulatory relief chaired by the Vice President; 7 cabinet members serve with him.

-- Termination of the wage-price standards of the Council on Wage and Price Stability

-- Decision to rollback or eliminate 34 key regulations on the auto industry. Package will save consumers over $9 billion and industry over $1 billion over next 5 years without jeopardizing the environment or drivers' lives.

A key savings: delay of airbags. Could have added $800 to the cost of a new car.

-- Suspension of ill-advised rules on bilingual education.

-- Acceleration of oil decontrol.

-- Suspension of many other "midnight regulations" announced by the last administration just before it left office.

-- Proposals to lift regulatory red tape on state and local officials by consolidating some 80 categorical programs into block grants.

A Few Horror Stories

Excessive federal regulations have become such a nightmare that a whole folklore has now developed. Among examples of excess:

-- The General Accounting Office estimates that business spends 69 million man hours a year complying with Federal paperwork requirements.

-- The paperwork sent to Washington would fill every professional football stadium in the country -- combined.

-- The steel industry alone must comply with 5,600 regulations administered by 25 different Federal agencies -- not to mention state and local governments.

-- A city manager in Janesville, Wisconsin had this remark on access ramps required around the city's municipal building in order to accommodate the handicapped: "In three years I have never seen a handicapped person use it, but the guy who delivers Cokes thinks its terrific."

APPENDIX

SAMPLE SPEECH - THE PRESIDENT'S ECONOMIC PROGRAM

It is a pleasure for me to be here today to speak to you about President Reagan's program for economic renewal in America. The President believes the answers to our economic woes lie in the vitality and courage of our people. His Administration is dedicated to unleashing the natural power of the individual to produce more and make a better life for all. His program will return our country to the economic strength we once knew.

We can recreate the incentives that take advantage of the genius of our economic system -- a system, as Walter Lippman observed more than 40 years ago, that for the first time in history gave men "a way of producing wealth in which the good fortune of others multiplied their own."

Now in the hands of the Congress, the program is not designed to change the foundation of our economy, but to return it to its greatness. President Reagan believes, and I wholeheartedly agree, that we have played fast and loose with the principles of free enterprise upon which this Nation was founded. We have gotten away from the idea that the Government's main function is to protect the people.

There are now nearly eight million people in this country who don't have jobs -- robbing millions of Americans of basic human dignity. In fact, this statistic doesn't tell the whole story: unemployment has been particularly hard on minority groups. For Blacks, for example, unemployment by the end of 1980 was at the highest level since the end of World War II. Inflation today is at 11.1 percent. Unless we act, this statistic, which makes a mockery of hard work and savings, will get worse. In 1979 and 1980, we suffered back to back double-digit inflation for the first time since World War I. The value of a 1960 dollar has now shrunk to 36 cents. A pound of hamburger that cost 48 cents in 1960 cost $1.58 today. Our Government deficit stands at more than $950 billion -- and is fast approaching the trillion dollar level. Since 1970, the burden of this national debt on the average family has more than doubled to $12,180. It is this deficit spending that is driving up interest rates, fueling inflation and undermining the stability of our economy. Unless we act, this debt will continue to get bigger.

Excessive regulation by the Government is costing the country an estimated $100 billion. There are now 100,000 pages of Federal regulations and Americans spend an estimated 800 million hours filling out forms for Washington. One Government estimate also indicated that fraud alone may account for anywhere from 1 to 10 percent -- as much as $25 billion of Federal expenditures -- for social programs.

The rate of increase in American productivity, once leading the world, has dropped to among the lowest of all major industrial nations. Twenty years ago we produced half of all the cars in the world, today we produce a little more than a fifth. After World War II, the United States produced roughly half of the world's steel, today we produce about a sixth of that steel. Taxes now consume 17.6 percent of the earnings of an average family of four, robbing dollars from our pocketbooks and incentive from the workplace. In the past 15 years, Federal personal taxes on the average family have nearly quadrupled -- growing from $1,500 in 1965 to $5,500 in 1980. Our savings rate is now at the lowest level over a three-year period in the last 30 years. In fact, our savings rate is not even half that of our major trading partners.

No one has been hurt worse by all of this than the poor and minorities. From 1959 to 1969, the number of families living in poverty dropped nearly 50 percent; from 1969 to 1979, when the economy grew more slowly, the poverty level dropped only 6 percent. For Blacks, the 1959-69 period saw a gain of 5 percent a year in real dollars. From 1969 to 1979, Black median income actually fell in real dollars.

Unless we act now these statistics will continue to accumulate, to fester, and to frustrate.

We are on the brink of an economic calamity because we have strayed from first principles. Together, we must alter our course. We can no longer procrastinate, hoping that things will somehow get better. They will not. Unless we act forcefully and now, the economy will get worse.

For too long we have attacked inflation with unemployment, and unemployment with inflation, trading misery for misery and ending up with both. The two go hand in hand.

Our economic problems are complex and must be attacked together. President Reagan has proposed a four-point, comprehensive package to deal with them. If only a part of the package is passed by the Congress, we will get only a part of the solution. We can no longer afford to tinker with our economy, because our economy cannot be finetuned.

President Reagan has called for a substantial reduction in the growth of Federal spending. He has given to the Congress a detailed plan to cut $48.6 billion from the Federal budget in fiscal year 1982. This is not a reduction in current spending levels, but a reduction in planned increases.

Second, he has proposed a 10 percent across-the-board tax rate cut every year for the next three years for everyone who pays income tax. That is a total of a 30 percent tax rate cut during a three-year period. The reduction will also apply to the tax on unearned income, eventually eliminating the differential between the taxes on earned and unearned income.

Again, while these tax rate cuts will leave an extra $500 billion in our pockets during the next five years, they only reduce the tax increases already built into the system.

Third, the President has asked for a prudent elimination of excessive regulation.

And fourth, the Reagan Administration has pledged to work with the Federal Reserve Board to develop a monetary policy consistent with the economic program, geared to stabilize the money supply and revitalize the economy.

This four-point plan is designed to get our economy moving again. We will continue to fulfill obligations to those, who, through no fault of their own, must depend on the rest of us. Those who are deserving can rest assured that the social safety net programs they depend on will not be cut. The rest of us will feel the impact of the budget cuts, which have been distributed through the economy as evenly as possible. But through this plan and by these cuts, we will break the back of the inflationary psychology gripping us today.

The proposed cuts, about $49 billion, were chosen by applying basic principles to every Federal expenditure.

The Reagan budget proposes reducing billions of dollars from some entitlement programs, such as food stamps, extended unemployment benefits and a number of others. In 1970, such programs cost Americans about $5 billion a year. In 1981, they are costing us about $58 billion.

The reductions are aimed at restricting eligibility, reducing the overlap and eliminating the waste. By doing so, we can save $9 billion next year, $19 billion during the next two or three years, and still meet the needs of those who deserve our help.

Budget savings will also be found by consolidating narrow, categorical grants to State and local governments into block grants. The President has long believed that programs administered at those levels are often more efficient and responsive, and by funding them through block grants the local government gets an added flexibility that can result in real savings.

The budget inherited by the Reagan Administration also includes subsidies for everything from export companies to school lunches for upper class children to zero interest loans for those who could afford to send their own children to school. Federal taxpayers, for example, are paying $160 per year per cow to subsidize the dairy industry. Changes are proposed in these areas, and more.

As President Reagan told us in his Inaugural address, "All of us together, in and out of government, must bear the burden." The budget cuts are equitable, with no one group singled out to pay a higher price. But the clearest threat to our recovery comes now from those who oppose only a small part of the program, while supporting the overall effort. The cuts they oppose are the cuts that affect them.

"The accumulative effect of this shortsightedness can be damaging," the President warns us. "We're all in the same boat, and we have to get the engines started before the boat goes over the falls."

At the same time we are cutting spending, we also must go forward with a tax relief package. Both are essential if we are to have economic recovery. President Reagan's tax package will create new jobs, build and rebuild industry, and give the American people room to do what they do best.

What President Reagan is proposing is not the usual tax reform intended to shift income between different sets of taxpayers. His plan reduces everyone's taxes equally, providing needed incentive for both workers and industry.

Along with the personal income tax rate cuts, the President is proposing a program to allow business and industry to keep enough capital to modernize and engage in more research and development. This will involve an increase in depreciation allowances. In much shorter write-off periods, businesses would be allowed a five-year write-off for machinery, three years for vehicles and trucks, and ten years for plant. In fiscal year 1982, business would have about $10 billion more for investment than it otherwise would have.

The third part of the program for economic renewal addresses the explosion in Government regulation during the past decade. Between 1970 and 1979, spending for the major regulatory agencies quadrupled. The number of pages published annually in the Federal Register nearly tripled, and the number of pages in the Code of Federal Regulations has nearly doubled.

The result has been higher prices, higher unemployment, and lower productivity growth. Particularly hard hit by this overregulation are America's small business men and women, and small business is the bedrock of our economy. Vice President Bush now heads a Cabinet-level Task Force on Regulatory Relief.

A consistent monetary policy that does not allow money growth to increase faster than goods and services is the fourth part of the plan. In order to curb inflation, we need to slow the growth in our money supply. Interest rates, which shot over 20 percent last year, are a clear indication of past monetary inconsistency.

Now let me talk for just a few moments about the practical benefits of the President's plan:

-- If the plan is enacted it will cut inflation in half -- from 11 percent in 1981 to 8.3 percent in 1982, down steadily to 5.5 percent in 1984.

-- It will create 3 million new jobs by 1986 over and above 10 million other jobs that can be expected in this period.

-- It will increase family take-home pay by $2,500 by 1984 for a family of four earning $25,000 today.

-- It will reduce the tax burden -- instead of rising to 23 percent of the GNP by 1984, Federal taxes would fall to 19 percent.

-- It will increase savings and investment.

-- It will restore America's competitive position in the world. Just to cite one example, the Reagan package of tax cuts, spending cuts, and regulatory relief should mean a consumer savings of $150 a car and the return of thousands of autoworkers to their jobs.

-- It will reduce crippling interest rates -- that will mean that the average family of four will be able to buy a median-priced home, a home that family simply cannot afford today.

There is a bottom line to the Reagan plan. A bottom line that says simply: More income, more savings, more security for the future.

President Reagan has said that he does not want this plan to be just the plan of his Administration. He has asked the Members of Congress to make it their plan. And its success requires that all of us adopt it as ours. There can be no special interest other than the interest of all of our people. And we must act now, without delay and without being timid.

Let us act to restore the freedom of all men and women to excel and to create. Let us rely on our heritage of genius and courage. Let us reject the certain failure of present policies for the hope of economic renewal. There is no alternative. Together, we must answer our President's call to forge a new beginning for America.